



INTERNATIONAL TIKA RESOURCES LTD.

and U.S.A. SUBSIDIARY COMPANY


1980
annual report



UNIVERSITY OF ALBERTA
FACULTY OF BUSINESS ADMINISTRATION
AND COMMERCE

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CORPORATE INFORMATION

INTERNATIONAL TIKA RESOURCES LTD.

403 Canada Trust Building

239 - 8 Avenue, S.W.

Calgary, Alberta

T2P 1B9

Officers

President - Richard Wayne Kiser

Secretary-Treasurer - Susan Cummings

Directors

Richard Wayne Kiser

Joseph W. Worobec

Bernard Lee

Edward Learoyd

Head Office

403 Canada Trust Building

239 - 8 Avenue, S.W.

Calgary, Alberta T2P 1B9

Auditors

Gardner, McDonald & Co.

1501 Norcen Tower

715 - 5 Avenue, S.W.

Calgary, Alberta T2P 2X6

Solicitors

Bennett Jones

3200 Shell Centre

400 - 4 Avenue S.W.

Calgary, Alberta T2P 0X9

Transfer Agent & Registrar

Guaranty Trust Company of
Canada

401 - 9 Avenue S.W.

Calgary, Alberta T2P 3C5

Bank

Canadian Imperial Bank of Commerce

309 - 8 Avenue S.W.

Calgary, Alberta T2P 1C6

Stock Exchange

Alberta Stock Exchange

#300, 300 Fifth Avenue S.W.

Calgary, Alberta T2P 0L3

STOCK SYMBOL: I.T.R.

TO OUR SHAREHOLDERS

As indicated by the front cover of this report, your Company has become involved in the United States oil and gas play.

During the year, the Company formed a wholly-owned U. S. subsidiary, International Tika Resources, Inc., which has joined in the drilling of 16 wells in four states: Alaska, California, Texas and Oklahoma. During the same period, the parent company drilled four wells in Canada - three in Alberta and one in British Columbia.

International Tika Resources Ltd. also conducted a geophysical program in Alberta and based on positive results, subsequently acquired a 12.5% interest in approximately 13,000 acres of petroleum and natural gas leases on Crown lands.

As was the case with many Canadian resource companies, your Board of Directors decided to

commit sizable exploration funds to the drilling of wells in the United States. This decision was prompted, in part, by the Canadian Federal political scene that indicated an unsettled situation. The minority Conservative Government's design of an energy policy that created incentives for Canadian resource companies to continue the record setting activity was negated by the unrealistic but Eastern voter appealing election promises of the present governing Liberal Party. The resultant confrontation between the Alberta and Federal governments has underlined the need of your Company to diversify geographically in the search for oil and gas.

Regardless of the result of the governmental negotiations, your Company has maintained the option to direct its exploration dollars to the area that provides the greatest opportunity for the benefit of our shareholders.

CANADIAN EXPLORATION

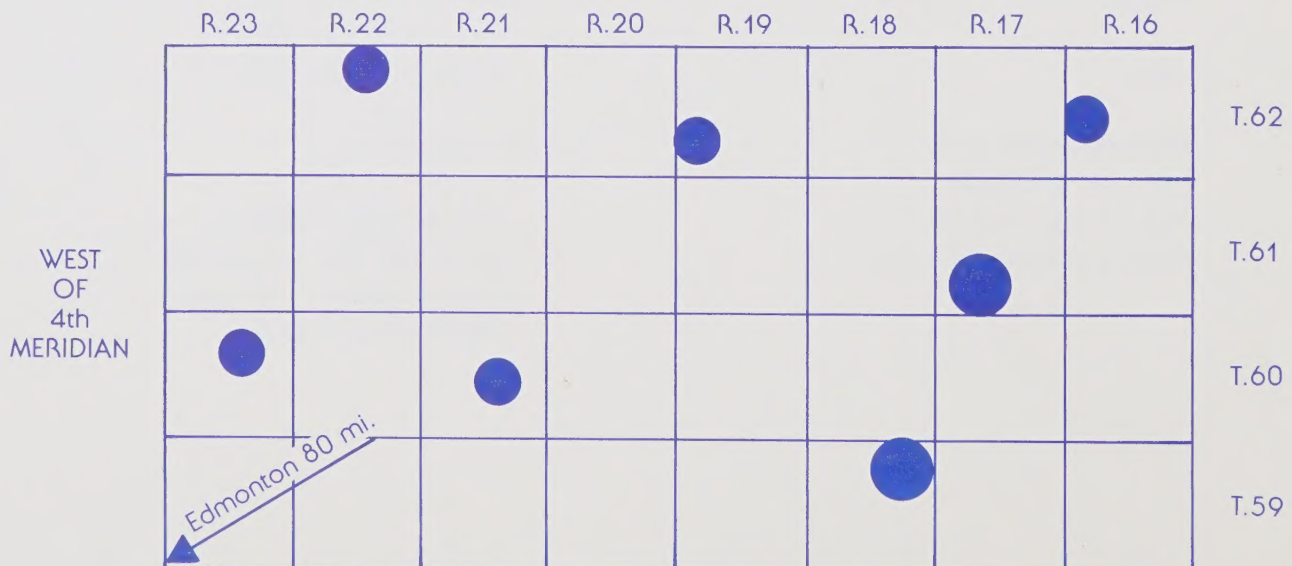
Our various project areas are summarized below:

a. Seismic

Your Company participated to the extent of 12.5% in shooting 300 miles of seismic in an area about 80 miles northeast of Edmonton, Alberta. With this data, Tika and partners posted the most promising Crown land and subsequently,

acquired over 13,000 acres at the Crown Land Sale in March 1980. Tika's total cost for this land acquisition and seismic exploration totalled \$250,000. A second seismic program was conducted this summer to detail drilling locations for a fall and winter drilling program. The lands cover seven separate project areas that will require at least one well per area plus, development wells offsetting any discoveries.

(SEISMIC SHOOTING AND LAND PURCHASE)
PROJECT AREA COVERING 13,000 ACRES



b. Drilling

i. Skaro, Alberta

Tika operated and participated to the extent of a 7.5% working interest in drilling a 3,800 ft. test that was cased as a potential gas well in the Colony Sand. Due to a lack of a gas market, completion of this well has been postponed.

ii. Jumping Pound, Alberta

Tika operated this 12,500 ft. foothills gas well which was completed and tested to prove up 17 billion cubic feet of sales gas. Cash flow from this well will provide Tika with 1.5 million dollars commencing January 1981. There was no capital cost to the Company for this asset.

iii. Auburndale, Alberta

During the year, Tika drilled another successful gas well in the Company's gas and oil field in Auburndale, Alberta. Revenue from this area provided most of the Company's cash flow.

The Company has decided to sell its interest in Auburndale due to the large additions to cash flow from other areas, primarily from the United States. This event was subsequent to the year end but will reflect in the 1981 financial year as noted in the financial statements in this report. The cash recovered through this sale will be used to expand our development drilling programs in the United States.

UNITED STATES EXPLORATION

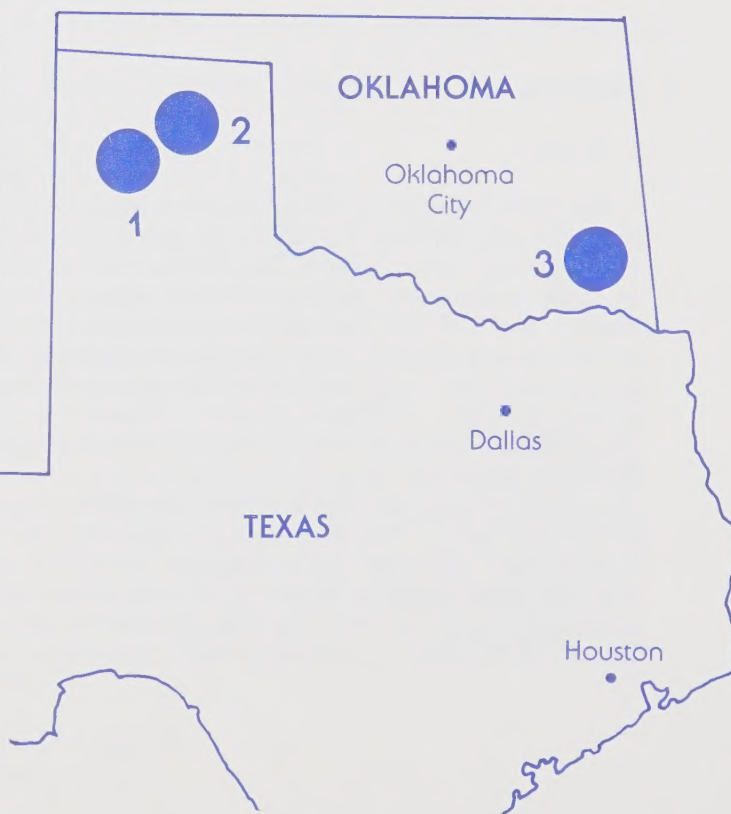
a. Alaska

Tika made its most significant effort at a major exploration attempt in Cook Inlet, Alaska in 1979. The well had excellent indications of being a success while drilling. Non-commercial amounts of oil and gas, however, dictated abandonment of the hole. The Company has earned a 5% interest in over 13,000 acres that still have exploration possibilities. The cost of this program was written off as shown in the financial statements.

b. Texas

1. Bivins

Your Company committed to a ten well drilling program in Moore and Potter Counties in the Amarillo area on a 17,000 acre farmout. To date, we have drilled the commitment wells plus two additional wells. Tika owns an 8.5% interest in this project. All twelve wells were cased; however, only ten are presently on production. Cash flow from the oil and gas production has just started. A further eight wells are planned for the immediate future. Oil prices are in the range of \$38.00 per barrel and gas prices are in the \$2.40 per MCF range.



- 1 – BIVINS
- 2 – HOOKS
- 3 – JUMBO

2. Hooks

Subsequent to the year end, Tika committed to a two well farmout on 2,000 acres in Hutchinson County, about 30 miles east of our Bivins oil field. The first well is down and was cased as an oil well. Production testing is currently taking place and a second well is planned as soon as a rig becomes available. Tika has committed to a 15% working interest in which the Company earns 13.5% of revenue for 15% of costs to payout and 7.5% of revenue after payout. All subsequent wells are 12% of cost to payout convertible to 7.5% after payout.

c. Oklahoma

3. Jumbo

Tika acquired a 5.33% working interest to payout converting to 4% after payout on 67,000 acres in Pushmataha County in south-eastern Oklahoma.

The area is recognized as having tight reservoir gas potential with extremely thick

pay sections and thus, huge potential gas reserves. As is the case in Alberta's Elmsworth area, massive fracturing of the tight reservoirs is necessary to stimulate the wells to commercial production. Tika and partners re-entered a 9,000 ft. cased hole that had been abandoned in 1956 and conducted a stimulation program that proved the existence of two major gas reservoirs in the Arkansas Novaculite and the Big Fork Chert. Due to mechanical problems in the old well bore and suspected improper stimulation techniques, the well is only marginally commercial. Gas prices have just recently risen to \$4.80 per MCF because of a U.S. government classification of tight reservoir gas. At this price level, a well producing one million cubic feet a day is very commercial.

Your Company is, therefore, exposed to an exploration play that has the potential to be in the initial stages of a discovery of a major gas field. A new well will be drilled one mile south of our re-entry in Denton Perrin 1-9 with a properly designed drilling program incorporating the best fracturing techniques developed to date. It is anticipated that spudding of the well will take place in November of this year at a cost of one million dollars. In the event of positive results, a multi-well program will ensue.

d. California

1. Orcutt

Tika committed to pay 10% of costs to casing point for one 8,500 ft. Monterey test on 1,400 acres in Santa Barbara County and 6% of completion costs to earn 6% working interest. The well has been drilled and cased and after very positive testing results, awaits a pump jack and other surface facilities to tie in the production. Although a rate of oil and gas production has not been established, the following projected program is being contemplated based upon the initial testing results of the discovery well. A seismic program, immediately followed up by another well with four development wells and four more exploratory wells for 1981 at a total cost to Tika of \$450,000 U.S. is anticipated.



FINANCIAL

During the year, your Company raised \$1,143,000 by way of private placements and convertible debentures. These funds were used to pay for the projects mentioned in this report as outlined below.

a. Canada

Retirement of Bank Loan	- \$ 60,000
Seismic	- 28,000
Land Purchases	- 222,000
Drilling	- 20,000

b. U.S.A.

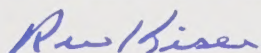
Drilling	- \$555,000
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THE FUTURE

As evidenced by the discussions herein, every Shareholder of International Tika Resources Ltd. should be as excited as your Board of Directors at the prospects for the future of the Company. Share values have risen threefold from a year ago. Drilling activity this year will be almost as great in terms of holes drilled as the total wells drilled by the Company since its inception eight years ago. Working capital is sufficient to conduct our programs to the point of bank financing to support development well costs. Future dilution of equity by additional financing through stock offerings is not contemplated at this time.

News releases documenting the results of our programs will keep all our Shareholders informed as to the Company's progress. It is, therefore, with great anticipation of continued success that your Board of Directors goes into the next 12 months of operation fully expecting unparalleled growth.

Respectfully submitted on behalf
of the Board of Directors,



Richard W. Kiser, President

GARDNER McDONALD & CO.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To The Shareholders
International Tika Resources Ltd.

We have examined the consolidated balance sheet of International Tika Resources Ltd. as at March 31, 1980 and the consolidated statements of income and deficit and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at March 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

CALGARY, ALBERTA
August 22, 1980.

(except for notes 4 and 8 which
are dated September 7 and October
2, 1980 respectively)


CHARTERED ACCOUNTANTS.

INTERNATIONAL TIKA RESOURCES LTD.
CONSOLIDATED STATEMENT OF INCOME AND DEFICIT
For the Year Ended March 31, 1980

	<u>1980</u>	<u>1979</u>
INCOME		
Production	\$ 88,263	\$ 55,876
Operating fees and other	<u>22,938</u>	<u>15,602</u>
	<u>111,201</u>	<u>71,478</u>
 DIRECT EXPENSES		
Dryhole	347,414	40,000
Depletion and depreciation (Note 1)	19,159	19,332
Operating	<u>15,401</u>	<u>9,520</u>
	<u>381,974</u>	<u>68,852</u>
	(270,773)	2,626
GENERAL AND ADMINISTRATIVE EXPENSES (Note 6)	<u>145,137</u>	<u>59,797</u>
NET LOSS FOR THE YEAR	415,910	57,171
DEFICIT AT BEGINNING OF THE YEAR	<u>285,520</u>	<u>228,349</u>
	701,430	285,520
Cost of capital stock issuance	<u>26,000</u>	<u>-</u>
DEFICIT AT END OF THE YEAR	<u>\$ 727,430</u>	<u>\$ 285,520</u>
 LOSS PER SHARE	 \$ <u>.195</u>	 \$ <u>.032</u>

See notes to consolidated financial statements.

INTERNATIONAL TIKA RESOURCES LTD.

CONSOLIDATED BALANCE SHEET

March 31, 1980

ASSETS (Note 4)

	<u>1980</u>	<u>1979</u>
CURRENT		
Cash - general	\$ -	\$ 28,060
- drilling funds	-	288,457
Term deposits	525,000	-
Accounts receivable (Note 2)	78,637	41,563
Due from director (Note 3)	48,515	-
Accounts receivable - drilling fund participants	<u>221,631</u>	<u>-</u>
	<u>873,783</u>	<u>358,080</u>
PROPERTY AND EQUIPMENT, at cost (Notes 1, 2 and 8)		
Petroleum and natural gas properties, including exploration and development thereon	721,387	235,005
Furniture and automotive equipment	<u>16,500</u>	<u>13,160</u>
	737,887	248,165
Less: Accumulated depletion and depreciation	<u>77,782</u>	<u>61,923</u>
	<u>660,105</u>	<u>186,242</u>
	\$ <u>1,533,888</u>	\$ <u>544,322</u>

LIABILITIES

CURRENT		
Bank indebtedness (Note 2)	\$ 386,318	\$ -
Accounts payable and accrued liabilities	316,633	41,018
Due to drilling fund participants	<u>-</u>	<u>288,457</u>
	702,951	329,475
LONG-TERM DEBT	-	85,000
CONVERTIBLE DEBENTURES PAYABLE (Note 4)	<u>520,000</u>	<u>48,000</u>
	<u>1,222,951</u>	<u>462,475</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK (Notes 4 and 5)		
Authorized		
5,000,000 common shares without nominal or par value		
Issued		
2,626,087 shares (1979 - 1,856,087)	1,038,367	367,367
DEFICIT	<u>727,430</u>	<u>285,520</u>
	<u>310,937</u>	<u>81,847</u>
	\$ <u>1,533,888</u>	\$ <u>544,322</u>

Approved by the Board of Directors:

.....Director

.....Director

See notes to consolidated financial statements.

INTERNATIONAL TIKA RESOURCES LTD.
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Year Ended March 31, 1980

	<u>1980</u>	<u>1979</u>
SOURCE OF FUNDS		
Proceeds from sale of fixed asset	\$ 6,589	\$ 6,147
Issuance of convertible debentures	520,000	-
Issuance of capital stock excluding debentures converted	623,000	63,050
Proceeds from long-term financing	<u>-</u>	<u>60,000</u>
	<u>1,149,589</u>	<u>129,197</u>
APPLICATION OF FUNDS		
Net loss for the year	<u>415,910</u>	<u>57,171</u>
Less: Charges not requiring the use of funds		
Depletion and depreciation	19,159	19,332
Loss on sale of fixed asset	1,110	-
Add: Credit not providing a source of funds		
Gain on sale of fixed asset	<u>-</u>	<u>(2,111)</u>
	<u>20,269</u>	<u>17,221</u>
Funds applied to operations	395,641	39,950
Property and equipment purchases	500,721	27,819
Payments on long-term debt	85,000	39,000
Cost of capital stock issuance	<u>26,000</u>	<u>-</u>
	<u>1,007,362</u>	<u>106,769</u>
INCREASE IN FUNDS FOR THE YEAR	142,227	22,428
FUNDS AT BEGINNING OF THE YEAR	<u>28,605</u>	<u>6,177</u>
FUNDS AT END OF THE YEAR	<u>\$ 170,832</u>	<u>\$ 28,605</u>
Represented by working capital:		
Current assets	\$ 873,783	\$ 358,080
Less: Current liabilities	<u>702,951</u>	<u>329,475</u>
	<u>\$ 170,832</u>	<u>\$ 28,605</u>

See notes to consolidated financial statements.

INTERNATIONAL TIKA RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 1980

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

These consolidated financial statements include the accounts of International Tika Resources Ltd. and its wholly owned U.S. subsidiary, International Tika Resources Inc.

The accounts of the U.S. subsidiary company are converted to Canadian dollars as follows:

- (a) Cash and amounts receivable and payable at the rate prevailing at balance sheet date.
- (b) Other assets at the rate prevailing on the date the assets are acquired.
- (c) Income and expense items, other than depletion and depreciation at the average rate for the year.
- (d) Depreciation and depletion at the historic rate of the related assets.

(b) Basis of Accounting

The company follows the successful efforts method of accounting, wherein costs of exploring for and development of oil and gas reserves are capitalized. These costs include lease acquisition costs, geological and geophysical expenses and the cost of drilling productive wells. Dry holes and abandoned projects are written off when determined. Costs capitalized are depleted on the unit of production method based on estimated proven recoverable oil and gas reserves.

2. SECURITY FOR BANK INDEBTEDNESS.

Accounts receivable and the company's interest in the Auburndale and Buick Creek areas have been pledged as security for the bank indebtedness.

INTERNATIONAL TIKA RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 1980

3. DUE FROM A DIRECTOR

The amount due from a director with respect to the Jumping Pound Drilling Fund was repaid subsequent to the year end.

4. CONVERTIBLE DEBENTURES PAYABLE

Debenture issues bearing interest at 10% and convertible throughout their terms into shares of the company are as follows:

(a)	10,000 shares for each \$5,500 principal amount of debenture outstanding	\$ 220,000
(b)	5,000 shares for each \$10,000 principal amount of debenture outstanding	300,000
		<u>\$ 520,000</u>

These debentures are secured by a first floating charge on all the property and assets of the company. Subsequent to March 31, 1980, these debentures were converted into shares of the company.

5. CAPITAL STOCK

During the year the 770,000 common shares were issued in the following manner:

	<u>Number of shares</u>	<u>Amount</u>
Cash	600,000	\$ 620,000
Options exercised	10,000	3,000
Debentures converted	160,000	48,000
Total shares issued during the year	<u>770,000</u>	<u>\$ 671,000</u>

During the year the company granted the following options:

100,000 shares at \$1.00 per share, exercisable to May 28, 1981, in consideration for the company's participation in a seismic program.

100,000 shares at \$1.50 per share, exercisable to December 31, 1980, to a broker in consideration for assistance in the issuance of 400,000 shares.

None of these options have been exercised as at March 31, 1980.

INTERNATIONAL TIKA RESOURCES LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the Year Ended March 31, 1980

5. CAPITAL STOCK (continued)

According to the company's Memorandum of Association, the maximum consideration for capital stock issued may not exceed \$1,000,000. The company is in the process of applying to the Registrar of Companies for permission to increase the maximum consideration.

6. STATUTORY INFORMATION

- (a) Interest on long-term debt amounting to \$46,410 was paid during the year.
- (b) Remuneration of \$42,000 was paid to an officer who is also a director.

7. AVAILABLE LOSS CARRY-FORWARDS

The companies have available losses which may be carried forward to apply against future income for tax purposes as follows:

<u>Available to</u>	<u>Canada</u>	<u>U.S.</u>
1983	\$ 8,000	\$ -
1985	98,000	-
1988	-	376,000
	<u>\$ 106,000</u>	<u>\$ 376,000</u>

The benefit from these losses carried forward has not been recorded in the accounts.

8. SUBSEQUENT EVENTS

Subsequent to March 31, 1980, the company sold its Auburndale property for approximately \$350,000 and recorded a gain on sale of \$325,000.

International Tika Resource



#403, CANADA TRUST BUILDING, 239-8th Avenue S.W.,
Calgary, Alberta T2P 1B9
TELEPHONE (403) 261-0052

Same office as
Radial Resources

INTERIM REPORT
5
MONTHS ENDED
September 30, 1980

INTERNATIONAL TIKA RESOURCES LTD.
SIX-MONTH INTERIM REPORT TO THE
SHAREHOLDERS

November 24, 1980

In your Company's Annual Report, your President noted that the continuing confrontation between Alberta and the Federal Government as it relates to energy had dictated the need for the Company to seek a more stable area to engage in exploration. The tabling of the Federal Budget in late October has only underscored the reasons for directing our exploration budget to the United States.

Prior to the Budget announcement, wherein Federal taxation reduced the value of the oil and gas industry assets in a transfer of cash flow from Western Canada to Central Canada, Tika sold one of its major assets at pre-budgetary values. Immediately after the Budget announcement, another major Canadian asset was sold at a profit. The sale of these Canadian properties, along with the sale of a U. S. property, has built up cash reserves of the Company to pay for the development of our oil and gas properties in the United States without having to equity or debt finance. These development and exploration costs will require the expenditure of close to two million dollars over the next 18 months. This will increase our cash flow to over one million dollars per year by 1982.

HIGHLIGHTS:

Auburndale, Alberta - properties sold netting a gain to the Company of over \$300,000.

Canon, Alberta - properties sold for \$500,000 netting a gain of \$170,000.

Jumbo, Oklahoma - properties sold recovering \$150,000 investment.

Jumping Pound, Alberta - well to be unitized and cash flow from interest to begin January 1981.

Bivins, Texas - Drilling continues. To date, 27 wells drilled with 25 producing oil and gas, one suspended and one sold as a gas well. New completion method has increased production on the last 10 wells to over 50 barrels per day, each.

Hutchison County, Texas - Second well drilled and cased. Evaluation of both oil wells presently underway.

Orcutt, California - Discovery well production tested at over 80 barrels per day and 450 MCF of gas per day. Seismic program underway and second well planned for December spud date.

South Ryan, Oklahoma - New project to spud early January 1981. Details of this exciting prospect will be issued in a separate news release in December.

Alaska - Indicated oil discovery adjacent to Tika's 13,000 acre property. Seismic program being planned for possible future drilling program.

Financial - The company has no debt and cash reserves of one million dollars. Income for the first six months was almost \$.09 per share.

RESPECTFULLY SUBMITTED ON
BEHALF OF THE BOARD OF DIRECTORS.



R. W. Kiser,
President.

INTERNATIONAL TIKA RESOURCES LTD.
and U. S. Subsidiary Company

INTERNATIONAL TIKA RESOURCES LTD.
and U. S. Subsidiary Company

CONSOLIDATED STATEMENT OF INCOME AND DEFICIT

For the six months ended September 30, 1980
(with comparative figures for September 30, 1979)
(unaudited)

CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION

For the six months ended September 30, 1980
(with comparative figures for September 30, 1979)
(unaudited)

INCOME	1980	1979	SOURCE OF FUNDS	1980	1979
Production	\$ 53,079	\$ 22,462	Net income (loss) for the period	\$281,377	\$(26,757)
Operating fees and other	6,779	13,978	Add: Charges not requiring the use of funds		
Gain on disposal of petroleum and natural gas interests	307,146	-	Depletion and Depreciation	7,263	8,954
	<u>\$367,004</u>	<u>\$ 36,440</u>	Issuance of capital stock by conversion of debentures	520,000	-
			Issuance of convertible debentures	-	490,000
			Capital stock issued for cash	-	103,000
				<u>808,640</u>	<u>575,197</u>
			APPLICATION OF FUNDS		
			Conversion of convertible debentures	520,000	-
			Property and equipment purchases	249,673	495,286
			Repaying of long term debt	-	85,000
				<u>769,673</u>	<u>580,286</u>
			INCREASE (Decrease) in FUNDS		
			FOR THE PERIOD	38,967	(5,089)
			FUNDS AT BEGINNING OF PERIOD	170,832	28,605
			FUNDS AT END OF PERIOD	<u>\$209,799</u>	<u>\$ 23,516</u>
			Represented by working capital:		
			Current Assets	\$423,902	\$128,781
			Less: Current Liabilities	<u>214,103</u>	<u>105,265</u>
				<u>\$209,799</u>	<u>\$ 23,516</u>



NO. 403, CANADA TRUST BUILDING, 239 - 8th Avenue S.W., Calgary, Alberta T2P 1B9 TELEPHONE (403) 261-0052

December 9, 1980.

We are pleased to submit our semi-annual statement for the period March 31 to September 30, 1980.

The enclosed letter from MTA Engineering Ltd. is also submitted for your information. It describes the economic potential of our South Ryan, Oklahoma project. As noted in the Interim Report, we anticipate a spud date in early January 1981 with total depth being reached in the latter part of January.

As we approach the Festive Season and the New Year, we wish to extend Seasons Greetings and wish you much success in the coming year!

MTA ENGINEERING LTD.

#210 505 - 8th Ave. S.W., Calgary, Alberta T2P 1G2 Telephone 264-5379

December 4, 1980

International Tika Resources, Inc.,
#403, 239 - 8 Avenue S.W.,
Calgary Alberta
T2P 1B9

Attention: Mr. R. W. Riser

Dear Sir:

On September 11, 1980 our firm prepared an evaluation for International Tika Resources, Inc. in a drilling prospect located in Jefferson County, Oklahoma, U.S.A. This letter is written to summarize some of the facts pertinent to that evaluation. It must be noted that the reserves are referred to as potential reserves as the prospect has not yet been drilled. Although there is a reasonable possibility that the projected reserves will be discovered there can be no guarantee that hydrocarbons in commercial quantities will be encountered. All dollar amounts are expressed in U.S. currency.

International Tika Resources, Inc. has committed to spend an estimated \$26,000 as a 7.5 percent working interest to drill an exploratory test through the Arbuckle Ellenburger formation on some 2,600 net acres of jointly held company lands. Tika pays 7.3125 percent of costs if production casing is run. If production is taken from the well, Tika will earn 5.4375 percent working interest. On all subsequent drilling Tika pays 5.4375 percent to earn a like interest. The only burden after the first well is a land owner royalty of 12.5 percent.

In summarizing the cash flow tables in the event of a successful operation, it was assumed that 40 producing oil wells would be drilled, including the discovery well, and that 25 dry holes would be drilled delineating the field limits.

INTERNATIONAL TIKA NET SHARE

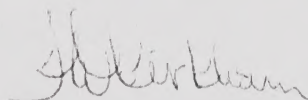
<u>Potential Net Reserves</u> (Barrels)	<u>Undiscounted Cash Flow</u> (U.S. Dollars)	<u>Discounted at 15%</u> (U.S. Dollars)
3,264,200	232,389,600	57,217,600

Pertinent information used in the evaluation such as acreage leased and the extent and character of ownership and all other factual data supplied by the Company were accepted as represented. No attempt to verify the information was undertaken by the personnel of MTA Engineering Ltd. In addition, a geological study prepared by General Trading Co. Inc. was used as the basis for the evaluation.

MTA Engineering Ltd. grants International Tika Resources Ltd. permission to use this letter for information purposes only.

Yours very truly,

MTA ENGINEERING LTD.



F. D. Kirkham, P. Eng.
Senior Reservoir Consultant

